

<p>2003 - 2004</p> <p>ANNUAL REPORT</p>

CAPITAL IMPROVEMENT PROGRAM FUNDS

Airport Capital Funds

The Airport Capital Funds finance the Airport's capital expenditures and consist of the Airport Capital Improvement Fund, the Airport Renewal and Replacement Fund, the Airport Passenger Facility Charge Fund, and the Airport Revenue Bond Improvement Fund.

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 391,036	\$ 243,788	\$ (147,248)	(37.7%)
<i>Expenditure</i>	447,229	150,647	296,582	66.3%
<i>Fund Balance (est. *)</i>	224,506 *	325,349	100,843	44.9%

The negative revenue variance of \$147.2 million was due almost entirely to the lower than budgeted use of financing for projects budgeted in the Airport Revenue Bond Improvement Fund. Originally, the Airport had budgeted a single bond issuance, which would fund all security-related construction that had been programmed in the 2003-2004 Adopted Capital Budget. Instead, it was decided to implement the bond financing for the security-related projects in phases, resulting in the 2004 Bonds funding projects in correspondence with their scheduled construction dates. As a result of the new phased approach to construction financing, actual 2003-2004 bond revenue was significantly lower than budgeted. Specifically, the Airport had budgeted \$322.5 million to fund the security-related projects and only \$157.4 million in bond proceeds were received to fund selected security projects, or \$165.1 million less than budgeted.

Transfers and grant revenue also tracked below budgeted levels. The full transfer to the Airport Renewal and Replacement Fund was less than budgeted primarily as a result of project savings. This resulted in a negative variance of \$1.4 million. Grant revenues were lower than anticipated by \$12 million due to not receiving approval before the end of 2003-2004 for reuse of an existing grant for the in-line baggage system and not receiving approval of a programmatic agreement to treat the historical homes in the Expanded Act treatment area. Passenger Facility Charges were higher than anticipated by \$1.5 million. The negative variances were also partially offset by higher than anticipated interest earnings of \$1.2 million.

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CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

Airport Capital Funds (Cont'd.)

The expenditure variance was due to lower than budgeted project expenditures (\$296.6 million). The following is a list of the major unexpended projects (\$000's):

North Concourse Building	\$239,879
Airline Maintenance Facility	11,624
Noise Attenuation - Category 1B	11,545
Elements of the Master Plan	1,982
Master Plan Misc. Precursor Projects	1,916
Noise Attenuation	1,687
Fuel Farm Review	1,680
Noise Attenuation Schools	1,608
Checkpoint Terminal A	1,588
Checkpoint Terminal C	1,383
Baggage Screening Phase II	1,288
Extend and Strengthen Runway 30L	1,271
Utility Infrastructure	1,115
Cargo Ramp Security And Taxiway Improvements	1097
Electrical Distribution System	672
Taxiway Y Reconstruction	598
Airport Pkwy/Airport Blvd.	585
Skyport Grade Separation	569
Noise Attenuation Testing Category II/III	<u>518</u>
Total	\$ 282,605

The following is an explanation of major project variances:

- The North Concourse Building project variance reflects the fact that this multi-year project was fully budgeted in the first year. This resulted in the need for a large rebudget. A total rebudget of \$251.2 million was incorporated in the 2004-2005 Adopted Capital Budget. This project did not achieve sufficient savings to cover the original rebudget amount, therefore, a net budget reduction of \$11.4 million is recommended in this report.
- The Airline Maintenance Facility project is proposed as the first design/build project; therefore there was a slight delay in the design of this project. A rebudget of \$10.8 million was incorporated in the 2004-2005 Adopted Capital Budget and an additional rebudget of \$814,000 is recommended in this report.

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CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

Airport Capital Funds (Cont'd.)

- The Noise Attenuation – Category 1B project provides funding for approximately 361 dwelling units; however, construction contracts were only issued for 212 in 2003-2004. The funds for the remaining 149 were rebudgeted and are anticipated to be awarded in 2004-2005.
- The Elements of the Master Plan Studies project variance reflects the rebudget of funds to 2004-2005 for the completion of the studies. A rebudget of \$1.8 million was incorporated in the 2004-2005 Adopted Capital Budget and an additional rebudget of \$202,000 is recommended in this report.
- The Master Plan Miscellaneous Precursor project variance reflects the rebudget of funds to 2004-2005 to fund various precursor projects related to the construction of security projects. A rebudget of \$1.86 million was incorporated in the 2004-2005 Adopted Capital Budget and an additional rebudget of \$58,000 is recommended in this report.
- The Noise Attenuation project has been completed and the project variance reflects a combination of project savings and liquidations of encumbrances.
- The Fuel Farm Review project funds the plan review and construction of a new fuel farm to be constructed at the Airport. However, the consortium of airlines did not proceed with the construction as anticipated, so none of the budget was expended and, therefore, fell to the fund balance.
- The current scope of the Noise Attenuation Treatment - Schools project has been completed. The savings are the result of lower than anticipated construction costs.
- The Checkpoint Terminal A project variance reflects the rebudget of funds to 2004-2005 to provide funds for the design and third party review of Transportation Security Administration (TSA) improvements to the security checkpoints in Terminal A. A rebudget of \$1.5 million was incorporated in the 2004-2005 Adopted Capital Budget and an additional rebudget of \$1,000 is recommended in this report.

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CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

Airport Capital Funds (Cont'd.)

- The Checkpoint Terminal C project variance reflects the rebudget of funds to 2004-2005 to provide funds for the design and third party review of Transportation Security Administration (TSA) improvements to the security checkpoints in Terminal C. A rebudget of \$1.4 million was incorporated in the 2004-2005 Adopted Capital Budget. This project did not achieve sufficient savings to cover the original rebudget amount, therefore, a budget reduction of \$52,000 is recommended in this report.
- The Baggage Screening Phase II project variance reflects the rebudget of funds to 2004-2005 to provide funds for the design and third party review of Transportation Security Administration (TSA) improvements to the mandated explosive detection screening operations for airline customer baggage. A rebudget of \$1.3 million was incorporated in the 2004-2005 Adopted Capital Budget and an additional rebudget of \$3,000 is recommended in this report.
- The Extend and Strengthen 30L project variance reflects the rebudget of funds to 2004-2005 to provide for inspection and closeout costs to complete the project. A rebudget of \$1.2 million was incorporated in the 2004-2005 Adopted Capital Budget and an additional rebudget of \$36,000 is recommended in this report.
- The Utility Infrastructure project variance reflects the rebudget of funds to 2004-2005 to provide for the construction of utility infrastructure in support of the North Concourse. A rebudget of \$786,000 was incorporated in the 2004-2005 Adopted Capital Budget and an additional rebudget of \$329,000 is recommended in this report.
- The Cargo Ramp Security and Taxiway Improvement project variance reflects the rebudget of funds to 2004-2005 to provide for construction completion, inspection and project closeout. A rebudget of \$790,000 was incorporated in the 2004-2005 Adopted Capital Budget and an additional rebudget of \$307,000 is recommended in this report.
- The Electrical Distribution System project variance reflects the rebudget of funds to 2004-2005 to provide for the construction of the portion of the new Airport electrical distribution system to meet the demand required for the North Concourse zone. A rebudget of \$606,000 was incorporated in the 2004-2005 Adopted Capital Budget and an additional rebudget of \$66,000 is recommended in this report.

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CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

Airport Capital Funds (Cont'd.)

- The Taxiway Y Reconstruction project variance reflects a delay in the design of the project due to the deferral of budget for construction being moved out to 2005-2006. The savings of \$3,000 have been rebudgeted to 2004-2005 to begin the design effort.
- The Airport Pkwy/Airport Blvd. project variance is the result of a re-phasing of the Master Plan, which does not require the construction of this project until later in the Master Plan development.
- The Skyport Grade Separation project variance reflects the rebudget of funds to 2004-2005 in order to provide funds for post construction contingency and project closeout costs. A rebudget of \$600,000 was incorporated in the 2004-2005 Adopted Capital Budget. This project did not achieve sufficient savings to cover the original rebudget amount, therefore, a budget reduction of \$31,000 is recommended in this report.
- The Noise Attenuation Testing – Category II/III project variance is due to fewer residents than anticipated requesting testing of noise levels in their homes.

The remaining \$14.0 million variance involves a number of projects with less than \$500,000 in unexpended funds. The majority of the unexpended funds, excluding those that are savings, have been or will be recommended for rebudget for expenditure in 2004-2005.

The positive 2003-2004 ending fund variance of \$100.8 million is primarily the result of lower than anticipated expenditures, partially offset by lower than budgeted revenue. Most of the expenditure savings are being recommended for rebudget to provide sufficient funding for projects in the 2004-2005. The balance of the expenditure savings will remain unallocated as the Airport continues to review its capital project priorities in order to focus on meeting security mandates.